

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE

Asset Management & Compliance Section

1800 Third Street, Suite 390
P. O. Box 952054
Sacramento CA 94252-2054
(916) 322-1560
FAX (916) 324-3246



July 7, 2008

Amy McCabe, Controller
Front St. Housing Inc.
303 Potrero St. #42-103
Santa Cruz, CA 95060

RE: Heiner House
California Natural Disaster Assistance Program (CALDAP) Project #SCZ-R-215
Report of CALDAP Monitoring Visit

Dear Ms. McCabe:

On June 25, 2008, I met with you and your staff to conduct the on-site monitoring of Heiner House, located at 301 Elm Street, Santa Cruz. The purpose of the visit was to assess Heiner House's implementation and administration of its CALDAP-funded project and to determine whether the terms of CALDAP requirements for ongoing management of the project are being met. This letter, with Monitoring Report enclosed, summarizes Findings, if any, and required corrective action along with Concerns. The review is based on documents that have been submitted to our office and the on-site visit.

A "Finding" is a deficiency based on a program requirement for which a default may be declared if left uncured. As a result of the monitoring review, it was determined that there were no Findings and one Concern.

Thank you for the assistance provided to me during the monitoring visit. We wish you continued success in affordable housing endeavors. If you have any questions, please contact me at (916) 327-8110, or email mluchessi@hcd.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "ML2" with a stylized flourish.

Michael Luchessi
Asset Management Representative
Department of Housing and Community Development

Cc: Ann Butler, President, Front St. Housing Inc.



**Monitoring Report
Project #SCZ-R-215
Heiner House**

Central Coast Housing was awarded \$428,000 of CALDAP funds in 1993 for rehabilitation of affordable rental housing at Heiner House, consisting of six (6) single room occupancy units. Ownership has since transferred to Front Street Housing, Inc. (the "Borrower").

Specific areas monitored and evaluated include:

1. **Physical:** The Borrower is responsible for all repair and maintenance functions of the Rental Housing Development, such as: the units, grounds and common areas and including ordinary maintenance and replacement of capital items.
2. **Financial:** Several items in the fiscal category require regular periodic monitoring in order to ensure the fiscal integrity of the project. The Department is required to ensure items such as: the appropriate amounts of funds are in the reserve account(s); the accounting system accurately and fully shows all assets, liabilities, income and expenses of the project; property taxes are current; insurance coverage is current and complies with Program requirements; and there is adequate project cash flow.
3. **Management/Compliance:** The Management Contract and Management Plan must be current; budget reports must be accurate and received per schedule; annual reports and audits must be accurate and received per schedule and findings addressed; and the project must be responsive to deadlines/requests including payments due Department. Tenancy standards must be met, such as, the annual income for a household must be within the low and very-low income limits established by the Department; household incomes must be recertified annually; rents must be within the limits established; Affirmative Fair Housing laws must be met; and grievance and appeal procedures need to be followed.

Physical

No physical compliance issues were observed during the on-site visit.

Financial

- 1) **Status of forgiveness and adequacy of replacement reserves:** The project has achieved 14 out of 30 years of forgiveness (1994 through 2007). The project has adequate replacement reserves. No fiscal processes or procedures were observed to be out of compliance during the on-site visit.

2) Insurance Coverage:

Concern #1

Insurance documents do not show a Lender's Loss Payee endorsement naming the Department on the property insurance. Coverage also lacks buyback of Building Ordinance Coverage Exclusions (providing extended period of restoration, coverage for loss to undamaged portion of building, demolition cost, and increased cost of construction).

Corrective Action

Heiner House is required to submit the necessary insurance documents to the Department within 30 days of the date of this letter.

Management/Compliance

No management/compliance issues were observed during the on-site visit.

Conclusion

Heiner House is a conscientious rental housing community that generally meets health and safety standards and other CALDAP requirements. Heiner House staff was cooperative and the property is generally attractive and well-maintained.

ACORD. EVIDENCE OF PROPERTY INSURANCEDATE (MM/DD/YY)
4/07/08

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

| | | | | |
|--|-----------|---|--------------------------------------|--|
| PRODUCER Alliant Ins. Services, Inc. License No. 0C36861 1301 Dove St., #200 Newport Beach, CA 92660 | | PHONE (A/C, No, Ext): 949-756-0271 | COMPANY North American Elite Ins. | |
| CODE: | SUB CODE: | | | |
| AGENCY CUSTOMER ID #: FR574893 | | INSURED Front Street Housing, Inc. 303 Potrero St., #42-103 Santa Cruz CA 95060- | | |
| LOAN NUMBER | | POLICY NUMBER CWB000757900 00 | | |
| EFFECTIVE DATE 4/04/08 | | EXPIRATION DATE 2/17/09 | | CONTINUED UNTIL TERMINATED IF CHECKED <input type="checkbox"/> |
| THIS REPLACES PRIOR EVIDENCE DATED: 4/07/08 | | | | |

PROPERTY INFORMATION

LOCATION/DESCRIPTION

301 Elm Street
Santa Cruz CA 95060**COVERAGE INFORMATION**

| COVERAGE/PERILS/FORMS | AMOUNT OF INSURANCE | DEDUCTIBLE |
|---|--|------------|
| BUILDING - Special Form (excludes Earthquake & Flood), Replacement Cost Endorsement LOSS OF RENTS - Special Form (excludes Earthquake & Flood), Up to 12 Months 10 Day Notice for Non-Payment | \$500,000 Actual Loss Sustained | \$1,000 |

REMARKS (Including Special Conditions)MORTGAGEE. THE DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT,
CALIFORNIA NATURAL DISASTER ASSISTANCE PROGRAM**CANCELLATION**THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.**ADDITIONAL INTEREST**

NAME AND ADDRESS

DEPT OF HOUSING & COMM DEV
CA NATURAL DISASTER ASSIST PRG
P.O. BOX 952054 / CALDAP-R
SACRAMENTO, CA 94252-2054

| | | |
|--------|------------|--------------------|
| X | MORTGAGEE | ADDITIONAL INSURED |
| | LOSS PAYEE | |
| LOAN # | | |

AUTHORIZED REPRESENTATIVE

Heimer House

ACORD. EVIDENCE OF PROPERTY INSURANCEDATE (MM/DD/YY)
4/07/08

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

| | | | | |
|--|-----------|---------------------------------------|---|--|
| PRODUCER Alliant Ins. Services, Inc. License No. 0C36861 1301 Dove St., #200 Newport Beach, CA 92660 | | PHONE (A/C, No, Ext): 949-756-0271 | COMPANY Fidelity Nat'l Prop & Casualty | |
| CODE: | SUB CODE: | | | |
| AGENCY CUSTOMER ID #: FR574893 | | LOAN NUMBER | | |
| INSURED Front Street Housing, Inc. 303 Potrero St., #42-103 Santa Cruz CA 95060- | | POLICY NUMBER 04770123848700 00 | | |
| | | EFFECTIVE DATE 4/04/08 | EXPIRATION DATE 4/04/09 | CONTINUED UNTIL TERMINATED IF CHECKED <input type="checkbox"/> |
| THIS REPLACES PRIOR EVIDENCE DATED: 4/07/08 | | | | |

PROPERTY INFORMATION

LOCATION/DESCRIPTION

301 Elm Street
Santa Cruz CA 95060**COVERAGE INFORMATION**

| COVERAGE/PERILS/FORMS | AMOUNT OF INSURANCE | DEDUCTIBLE |
|--|------------------------|------------|
| BUILDING Flood Coverage - Basic Coverage - Additional Coverage | \$150,000 \$100,000 | \$500 |
| 10 Day Notice for Non-Payment | | |

REMARKS (Including Special Conditions)MORTGAGEE THE DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT,
CALIFORNIA NATURAL DISASTER ASSISTANCE PROGRAM**CANCELLATION**THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.**ADDITIONAL INTEREST**

NAME AND ADDRESS

DEPT OF HOUSING & COMM DEV
CA NATURAL DISASTER ASSIST PRG
P.O. BOX 952054 / CALDAP-R
SACRAMENTO, CA 94252-2054

| | | |
|--------|------------|--------------------|
| X | MORTGAGEE | ADDITIONAL INSURED |
| | LOSS PAYEE | |
| LOAN # | | |

AUTHORIZED REPRESENTATIVE

Heinen House

ACORD™ CERTIFICATE OF LIABILITY INSURANCEDATE (MM/DD/YY)
4/07/08

PRODUCER

949-756-0271

Alliant Ins. Services, Inc.
License No. OC36861
1301 Dove St., #200
Newport Beach, CA 92660

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A NonProfits' Ins. Alliance

COMPANY B

COMPANY C

COMPANY D

INSURED

Front Street Housing, Inc.
303 Potrero St., #42-103
Santa Cruz CA 95060

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| CO LTR | TYPE OF INSURANCE | POLICY NUMBER | POLICY EFFECTIVE DATE (MM/DD/YY) | POLICY EXPIRATION DATE (MM/DD/YY) | LIMITS |
|--------|--|---------------|----------------------------------|-----------------------------------|--|
| A | GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT | 200822458NPO | 2/17/08 | 2/17/09 | GENERAL AGGREGATE \$ 2000000 PRODUCTS - COMP/OP AGG \$ 2000000 PERSONAL & ADV INJURY \$ 1000000 EACH OCCURRENCE \$ 1000000 FIRE DAMAGE (Any one fire) \$ 100000 MED EXP (Any one person) \$ 10000 |
| | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS | | | | COMBINED SINGLE LIMIT \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE \$ |
| | GARAGE LIABILITY <input type="checkbox"/> ANY AUTO | | | | AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EACH ACCIDENT \$ AGGREGATE \$ |
| A | EXCESS LIABILITY <input checked="" type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM | 200822458UMB | 2/17/08 | 2/17/09 | EACH OCCURRENCE \$ 1000000 AGGREGATE \$ 1000000 |
| | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY THE PROPRIETOR/PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL | | | | WC STATUTORY LIMITS <input type="checkbox"/> OTH-ER <input type="checkbox"/> EL EACH ACCIDENT \$ EL DISEASE - POLICY LIMIT \$ EL DISEASE - EA EMPLOYEE \$ |
| | OTHER | | | | 10 DAY NOTICE FOR NON-PAYMENT |

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS
 THE DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT AND ITS OFFICERS, AGENTS, EMPLOYEES AND SERVANTS ARE NAMED AS ADDITIONAL INSURED ON THE GENERAL LIABILITY POLICY REFERENCED ABOVE.

CERTIFICATE HOLDER

DEPT OF HOUSING & COMM DEV
CA NATURAL DISASTER ASSIST PRG
P.O. BOX 952054 / CALDAP-R
SACRAMENTO, CA 94252-2054

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE****Asset Management & Compliance Section**

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September 2, 2008

Amy McCabe, Controller
Front St. Housing Inc.
303 Potrero St. #42-103
Santa Cruz, CA 95060

**RE: California Natural Disaster Assistance Program (CALDAP)
Project #SCZ-R-215 Heiner House
Monitoring Clearance Letter**

Dear Ms. McCabe:

We have received Heiner House's response to the Concern regarding insurance coverage that was identified in our July 7, 2008 Monitoring Report and have found the response to be acceptable. Based upon your response, we are issuing this clearance letter. We appreciate your follow-up efforts to clear this issue.

If you have any questions, please contact me at (916) 327-8110 or email me at mluchessi@hcd.ca.gov.

Sincerely,

Michael Luchessi
Asset Management Representative
Department of Housing and Community Development

Cc: Ann Butler, President, Front St. Housing Inc.